



Wiregrass Federal Credit Union

Not For Profit, Not For Charity, But For Service
OPERATING UNDER THE PROVISIONS OF CHARTER NO. 13228, APPROVED OCT. 1, 1959
BY: NATIONAL CREDIT UNION ADMINISTRATION, WASHINGTON, D.C. 20201
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NCUA

March 9th, 2010

Mary Rupp, Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Dear Ms. Rupp:

As President of Wiregrass Federal Credit Union, and on behalf of our Board of Directors, I would like to express our gratitude to the NCUA Board for welcoming our comments of the recent proposed corporate credit union regulations. I would also like to thank you in advance for taking our comments seriously and under advisement as you take on this great responsibility of administering change. In light of the market and economic meltdown that has occurred over the past two years, it is evident that our industry and its regulators must change its mentality of "business as usual" to adapt to a new financial environment. However, that sense of change must not be one of a short term fix, but rather one that will provide long term viability and survivability for the natural person credit unions (NPCU) and the corporate credit union network that provides many much needed, low cost services to NPCUs.

The credit union industry has weathered through many obstacles and struggles through the past decades including the dissolution of Capital Corporate FCU, ongoing lawsuits from bankers regarding field of membership expansion and the issues of taxation, to name a few. Many of the credit unions have survived because we understand that although we each are slightly different in our structure and demographics, we all serve a common purpose—to provide loans at a low cost and provide savings with competitive returns while bettering the financial lives of our members. In this day and age, it has become more difficult to maintain a strong bottom line and remain competitive without the assistance of credit union partners who can also provide us a source of low cost operational services and liquidity options.

In reviewing the proposed regulation, we feel that the approach and current wording does not necessarily provide a balanced approach that will benefit the long-term survival of all sizes of natural person credit unions and the needed corporate credit union network. We believe that guidance and regulations are needed for a balanced approach for safety and soundness but at the same time, a regulatory agency should not have overly expanded powers to the point that a corporate credit union won't have the ability to serve its primary function- to benefit and optimally serve the needs of its members. We appreciate your consideration of our comments and the potentially detrimental impact that some aspects of the regulation would have on all credit unions, not just corporate credit unions.

704.3(c) Perpetual Contributed Capital

In light of the past year's events regarding impairment of NCPU capital at many of the corporate credit unions, it is likely that many credit unions will be gun shy to immediately recapitalize a

corporate credit union in the very near term. By providing the provision in the regulation that would prohibit conditioning membership/services on the purchase of permanent capital shares, we believe that NPCUs will have the opportunity to continue many needed services provided by the corporate credit unions while strategically planning how they might recapitalize their particular corporate credit union. If some type of capital membership must be considered, then at a minimum, a NPCU should be provided a twelve-month window to exercise an orderly termination of its services with the requiring corporate. This is necessary to ensure that the credit union's members are not immediately placed in a position whereby their access to payment systems is eliminated.

704.3(c)(3) Perpetual Contributed Capital Call Feature

The exercise of this feature should remain with the issuing corporate. The NCUSIF remains protected by virtue of the capital requirements outlined in the proposed regulation. NCUA is overreaching in requiring preapproval.

704.3(d)(4)(v) Increased Individual Capital Requirement

It appears that this section provides the Director of the Office of Corporate Credit Unions (OCCU) with a level of power that could impede on the corporate credit union and its members' ability to decide what is best for the corporate with regards to capital levels. Without some kind of appeals process, this proposed provision could be detrimental to the members/owners of the corporate credit union.

704.3(e)(3) Disallowing Capital from Inclusion in Ratios

As indicated in the statement above, we believe that if a capital account meets the definitions contained in the regulation, no NCUA employee should be granted the power to unilaterally decide that capital accounts could not be included in applicable capital ratios.

704.4(d)(3) Lowering the Capital Category

We strongly oppose the statement in this section that indicates that the Director of the OCCU can unilaterally change the capital category of a corporate credit union. This could result in an adequately capitalized corporate being forced to comply with restrictions based simply on the opinion of one NCUA employee. As our national government requires a checks and balances between the executive, judicial and legislative branches to avoid one individual or a group of individuals controlling the government, so too should NCUA consider the ramifications of one individual being granted too much authority.

704.4(d)(4) Lowering the Capital Category for Good Cause

This section simply transfers power from the NCUA Board to the Director of the OCCU. With this degree of power concentrated in one individual, the respective boards of all corporates will effectively be employees of the Director of the OCCU. This once again appears to put too much decision making power with one single arm of the NCUA.

704.4(k)(1) Payment of Dividends

The proposed regulation precludes a corporate deemed undercapitalized from paying dividends on capital accounts. This prohibition should be applicable only to those corporate credit unions that are significantly or critically undercapitalized.

704.4(k)(2)(v) Powers over Undercapitalized Corporates

If a corporate is deemed undercapitalized (even if the Director of OCCU lowers the category from adequately capitalized), the NCUA will have the power to enforce a variety of actions on a corporate credit union that in our opinion overstep the capacity that NCUA should be exercising in its role as a regulatory, not as a manager. Several corporate credit unions have become undercapitalized as a result of impairments passed down from US Central and not necessarily from direct actions on their own balance sheets. As referenced in section 704.4(k)(3)(ii), the applicable actions that could be taken by NCUA are applicable to significantly or critically undercapitalized corporates. Unfortunately, section 704.4(k)(2)(v) allows the Director of the OCCU to apply them to those corporates that are merely undercapitalized. **Therefore, by exercising his power to lower individual capital categories, the Director of the OCCU can fire any employee and/or remove any board at any existing corporate. And he will be able to do so at any time he chooses for years to come.**

704.4(k)(6)(ii)(C) Charter or Bylaws for State Chartered Corporates

This section usurps the power of state regulators by allowing NCUA to preclude a bylaw change for state chartered corporates. In essence, this encroaches on the viability of the dual charter system for credit unions.

704.8(e) Average life mismatch modeling

As written, the proposed regulation will undoubtedly force corporate credit unions to invest in short-term securities that contain credit risk and reduce their respective positions in government-backed bonds with moderate WALs. Rather, we would suggest to require the average life mismatch modeling only on the book of business that contains securities with credit risk. Otherwise, we are creating a situation where credit risk will increase and the effects of credit spread widening will be broadened.

704.8(h) Two-year average life

By assigning an arbitrary limit on the maximum WAL of the investment portfolio, the proposed regulation will actually increase credit risk and liquidity risk on the balance sheet as opposed to reducing them.

704.8(k) Deposit Concentrations

The stated objective for limiting deposits from any one source to no more than ten percent of a corporate's assets is to reduce risks that arise from placing undue reliance on a single entity. If this limit is imposed, the likely scenario going forward is that the natural-person credit unions will withdraw funds from the system. This not only decreases the liquidity in the network (possibly leading to the forced sale of distressed securities currently held by U.S. Central and other corporates), the overall decreased liquidity in the system may result in the restriction of credit some natural-person credit unions would otherwise provide to their own members. We recommend that deposits from one source be limited to the greater of ten percent of a corporate's assets OR one hundred percent of a corporate's assets that carry a risk weighting of 20 percent or less.

707.4 Prompt Corrective Action

In the interest of transparency, corporate credit unions should be required to disclose their capital category.

We continue to support our corporate credit union as they have continued to provide us with good leadership, low cost services, competitive investment rates and other options that assist us with serving the needs of our members. As each corporate credit union is different, it would be difficult to expect that a separate regulation would be written to accommodate each specific corporate credit union. At the same time, we would request that NCUA negotiate common ground among the credit union industry and allow NPCUs to maintain a system that has safety and soundness as its driving force. Critical to the credit union system is the ability for the system to stand strong and autonomous while fulfilling the needs of both small and large credit unions.

We believe with the current provisions dictated in the proposed regulation, that the effectiveness of the corporate and natural person credit union system will be immensely diluted and force credit unions to seek potentially riskier and non-credit union affiliated solutions.

Again, thank you for providing us with the opportunity to respond to the proposed regulation.

Respectfully,



Tangela S. Souders, President
Wiregrass Federal Credit Union